

IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF ILLINOIS

IN RE:)	IN PROCEEDINGS UNDER
)	CHAPTER 7
MEADOWBROOK FARMS COOPERATIVE,)	
)	BK 09-30688
Debtor.)	
)	
LAURA K. GRANDY, TRUSTEE,)	
)	
Plaintiff,)	
)	
v.)	Adv. No.: 09-_____
)	
THE CIT GROUP/BUSINESS CREDIT, INC.;)	
STEARNS BANK, N.A.; ALAN & GLEN KOCH)	
FARMS, INC.; ANDY SHULL, INC.;)	
APPLEWOOD FARMS; LELAND BAHL;)	
JANE BAHL; CHARLES BECKER; JEFFREY)	
BAUMAN; SCOTT BIRKEY; BITTER FARMS,)	
INC.; DANIEL BOSTON; BOYER TRUCKING)	
LIVESTOCK, INC.; BURGNER PORK, INC.;)	
BUSSE FARMS; MICHAEL BUTCHER; MARY)	
JANE BUTCHER; CEDAR RIDGE PRIMARY)	
SPF FARM, INC.; MELVIN COULTER; FOR-C)	
PORK FARM; MAX DAIL; JULIE DAIL;)	
DEAN'S BACON AND BEEF; KEITH DETERS;)	
SANDY DETERS; ERNEST DIENER; ROGER)	
ELLIOTT; FAIRVIEW ACRES INC.; FLOOD)	
BROTHERS; RONALD FLOOD; MARIE)	
FLOOD; KEVIN GANZ; JAMES GOECKNER;)	
CHARLOTTE GOECKNER; JOSHUA)	
GOECKNER; GREAT LAKES PORK, INC.;)	
GREG GEIRTZ; DENNIS GRUBE d/b/a GRUBE)	
FARM; CLIFF HAMMETT; HARTKE SWINE)	
CENTER, INC.; CHRISTOPHER HARTKE;)	
DAVID HELREGEL; JOSEPH HOENE;)	
JEANNE HOENE; PAUL HOENE; MARTHA)	
HOENE; HOG HAVEN, INC.; DENNIS)	
HOLKENBRINK; J AND V PROBST PORK,)	
INC.; JANSSEN FARMS; JOHNSON PORK)	
FARM, INC.; JOHNSON-PATE PORK, INC.;)	
KB AG ENTERPRISES, INC.; KELLOGG)	
FARMS; DENNIS KUNKEN; LEHMANN)	
BROS. FARMS, LLC; LOGEMAN BROS.)	

FARM; LOWER FARMS, INC.; ALLEN)
 MAGNUS; METZGER FARM, INC.; MILLER)
 PORK FARM; LELAND MOFFETT;)
 MARIANNA MOFFETT; MARVIN MUELLER;)
 CARLYLE MUELLER; RONALD NESS;)
 JULIA NESS; DONALD NIEBRUGGE;)
 RCM FARMS, LTD.; BRENT REED;)
 ROGER DEWERFF FARMS, INC.; WAYNE)
 SCHLEUTER; JEFF SCHULTZ; JANET)
 SCHULTZ; LARRY SEALS; SEBOLDT)
 BROTHERS; SG SWINE, L.L.C.; SHADY LANE)
 FARMS, INC.; SHILOH HILL, LLC;)
 STAMBERGER FARMS LTD; ANTHONY)
 STRUTNER; STEVEN LEE STURTEVANT;)
 PHILLIP SUDKAMP; BETTY SUDKAMP;)
 LARRY THOELE; BARB THOELE; WALK)
 STOCK FARM, INC.; WILLIAM UHLMAN)
 & SONS; WYSS FARMS INC.; JOEL YOUNG;)
 SHELLY YOUNG; ARCHER-DANIELS)
 MIDLAND COMPANY; and ILLINOIS)
 DEPARTMENT OF AGRICULTURE,)
)
 Defendants.)

COMPLAINT TO DETERMINE THE VALIDITY, PRIORITY AND EXTENT OF LIENS

COMES NOW Laura K. Grandy, Trustee of the Chapter 7 bankruptcy estate of Meadowbrook Farms Cooperative (“Trustee”), by and through her attorneys, Mathis, Marifian, Richter & Grandy, Ltd., and for her Complaint to Determine the Validity, Priority and Extent of Liens, states as follows:

1. On March 21, 2009 (“Petition Date”), Meadowbrook Farms Cooperative (“Debtor”) filed a petition for relief under Chapter 7 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Illinois.
2. Laura K. Grandy is the duly appointed Trustee in this case.
3. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§1134 and 157.
4. This is a “core” proceeding within the meaning of 28 U.S.C. § 157(b)(2).

5. The Debtor was a pork processor. In the course of its operations, the Debtor was a meat packer that bought livestock for slaughter within the meaning of the Packers and Stockyards Act (7 U.S.C. 181 *et seq.*)(the “PSA”).

6. Pursuant to the PSA, the Debtor was required: (a) to maintain a surety bond to secure its obligations for the purchase of livestock; and (b) to hold meat, inventory, accounts receivable and proceeds in trust for the payment of cash sellers of livestock (“PSA Trust Fund Monies”).

7. The Debtor maintained a lockbox depository account at Busey Bank, account no. 21510415 (“Lockbox Account”), which was the depository account for Debtor’s accounts receivable and inventory proceeds. As of the Petition Date, the Debtor had on deposit in the Lockbox Account \$2,045,050.00.

8. On or about February 5, 2009, the United States Department of Agriculture (“USDA”) notified Busey Bank, the Debtor, and The CIT Group/Business Credit, Inc. (“CIT”)(the secured lender having an interest in the Lockbox Account) that the USDA claimed that the funds held on deposit in the Lockbox Account were subject to a federal statutory trust arising under the PSA.

9. In response to the February 5, 2009 USDA letter, Busey Bank froze the funds held in the Lockbox Account and filed an interpleader suit in the Circuit Court for the Sixth Judicial Circuit, Champaign, Illinois on March 13, 2009 (“Interpleader Action”). Subsequent to the filing of the Debtor’s bankruptcy case, the Interpleader Action was voluntarily dismissed by Busey Bank, who has agreed to turn over the funds in the Lockbox Account to the Trustee.

10. On or about April 30, 2009, the USDA notified the Trustee and other interested persons of PSA trust claims filed by third parties in the amount of \$5,385,477.53; the USDA had

determined that claims totaling \$1,059,500.18 were apparently valid trust claims (“PSA Trust Claims”) and asserted a claim against the Lockbox Account on behalf of the PSA Trust Claims.

11. By the same letter as referenced above, the USDA also notified the Trustee and other interested persons of PSA surety bond claims asserted against the Debtor’s PSA bond by the USDA on behalf of third parties totaling \$5,548,053.02, of which the USDA determined \$5,438,312.71 were apparently valid bond claims (“PSA Bond Claims”).

12. The Trustee files this Complaint to determine the validity, priority and extent of liens and all claims against the funds held on deposit in the Lockbox Account. The following creditors may have a claim on the funds held in the Lockbox Account:

- a. The CIT Group/Business Credit, Inc.: by reason of a financing agreement and other loan documents (including a security agreement) dated November 16, 2007, as amended, and UCC-1 Financing Statement filed November 16, 2007; the security agreement to secure said financing agreement covered the following collateral: “all present and future Accounts, Inventory, and other Goods (other than Equipment), Documents of Title, General Intangibles, Investment Property, and Other Collateral”. “Other Collateral” is defined as: “all present and hereafter established lockbox, blocked account and other deposit accounts maintained with any bank or financial institution into which the proceeds of Collateral are or may be deposited”.
- b. Stearns Bank, N.A.: by reason of a financing agreement and other loan documents (including a security agreement) dated January 31, 2003, as amended, and UCC-1 Financing Statement filed on May 14, 2003; the security agreement to secure said financing agreement covered all of the Debtor’s then-existing and after-acquired accounts, deposit accounts, contract rights or rights to the payment of money (among other collateral) and the proceeds thereof.
- c. United States Department of Agriculture: by reason of PSA Trust Claims asserted by the USDA on behalf of various livestock growers on April 30, 2009.
- d. Notice Claimants under the Packers and Stockyards Act(“PSA Notice Claimants”): by reason of PSA Trust Notices filed for the various claimants listed on the attached **Schedule A**, incorporated herein by reference. The USDA has notified the Trustee that the PSA Notice Claimants have potentially valid claims, either in whole or in part. The Trustee has not made any determination regarding the validity of the claims filed by the PSA Notice Claimants.

- e. Notice Claimants under the Packers and Stockyards Act With Invalid Claims (“Invalid PSA Notice Claimants”): by reason of PSA Trust Notices filed for the various claimants listed on the attached **Schedule B**, incorporated herein by reference. The Trustee believes that the Invalid PSA Notice Claimants do not have valid PSA trust claims, based upon information received from the USDA and/or the Debtor’s internal records.
- f. Archer-Daniels Midland Co.: by reason of an alleged security interest in proceeds from livestock sold to the Debtor by Applewood Farms and by S.G. Swine, L.L.C. and/or Greg Giertz.
- g. Illinois Department of Agriculture: by reason of an alleged right to subordination of valid claims against the Debtor’s PSA surety bond.

The Trustee has not made any payment to the above-referenced creditors. Upon information and belief, one or more of the above-referenced creditors may have a claim to the funds held in deposit in the Lockbox Account.

WHEREFORE, the Trustee prays that the Court enter an Order determining the validity, extent and priority of the liens or other interests in property on the funds held in deposit in the Lockbox Account; requiring each of the above-referenced creditors to prove claims against the funds held in the Lockbox Account and produce supporting documentation; directing the distribution of the funds held in deposit in the Lockbox Account; allowing for the payment of the Trustee’s attorney’s fees and costs incurred in pursuing this Complaint from the PSA Trust Fund Monies; and for such other and further relief that this Court deems just and proper.

Dated: June 26, 2009

LAURA K. GRANDY, TRUSTEE

By: /s/ Laura K. Grandy

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SCHEDULE A
PACKERS AND STOCKYARDS ACT NOTICE CLAIMANTS

CLAIMANT	TRUST NOTICE FILING DATE P&S	TRUST NOTICE FILING DATE PACKER
Applewood & Archer Daniels Midland	2/10/2009	2/11/2009
Flood Brothers	2/9/2009	2/9/2009
Great Lakes Pork	2/5/2009	2/4/2009
Janssen Farms	2/11/2009	2/11/2009
Johnson-Pate Pork, Inc.	2/5/2009	2/4/2009
Dennis Kunken	2/19/2009	2/19/2009
Lehmann Bros. Farms, LLC	2/5/2009	2/6/2009
Logeman Bros. Farm	2/9/2009	2/9/2009
SG Swine (Greg Giertz) & Archer Daniels Midland	2/9/2009	2/10/2009

SCHEDULE B
PACKERS AND STOCKYARDS ACT NOTICE CLAIMANTS
USDA IDENTIFIED INVALID CLAIMS

CLAIMANT	TRUST NOTICE FILING DATE P&S	TRUST NOTICE FILING DATE PACKER
Alan & Glen Koch Farms	2/9/2009	2/9/2009
Andy Shull, Inc.	2/9/2009	2/9/2009
Charles Becker and Jeffrey Bauman	2/6/2009	2/11/2009
Scott Birkey	2/12/2009	2/13/2009
Bitter Farms	2/13/2009	2/13/2009
Daniel Boston	2/17/2009	2/11/2009
Boyer Trucking Livestock, Inc.	3/9/2009	Unknown
Burgener Pork	2/11/2009	Not filed
Busse Farms	2/18/2009 & 2/19/2009	2/17/2009
Michael and Mary Jane Butcher	2/18/2009	2/17/2009
Cedar Ridge Primary SPF Farm	2/9/2009	Not filed
Melvin Coulter and For-C Pork Farm	2/9/2009	2/10/2009
Max and Julie Dail	2/20/2009	2/24/2009
Dean's Bacon and Beef	2/11/2009	2/17/2009
Ernest Diener	2/17/2009	2/23/2009
Roger Elliott	2/11/2009	2/11/2009
Fairview Acres	2/11/2009	2/11/2009
Ronald and Marie Flood	2/13/2009	2/12/2009
Kevin Ganz	2/11/2009	2/13/2009
James, Charlotte and Joshua Goeckner	2/18/2009	2/11/2009
Grube Farm	2/11/2009	2/11/2009
Hartke Swine Center, Inc.	2/13/2009	2/12/2009
Christopher Hartke	2/9/2009	2/6/2009
David Helregel	2/9/2009	2/12/2009
Joseph and Jeanne Hoene	2/12/2009	2/11/2009
Paul and Martha Hoene	2/12/2009	2/11/2009
Hog Haven, Inc.:	2/5/2009	2/5/2009
Dennis Holkenbrink	2/9/2009	Not filed
Johnson Pork Farm, Inc.	2/9/2009	2/9/2009
KB Ag Enterprises	2/11/2009	2/9/2009.
Lower Farms, Inc.	2/9/2009	2/10/2009
Allen Magnus	2/10/2009	2/10/2009
Metzger Farm, Inc.	Not filed	2/8/2009
Miller Pork Farm	2/13/2009	2/10/2009
Ronald and Julia Ness	2/10/2009	2/10/2009
Brent Reed	Not filed	2/17/2009
Roger DeWerff Farms, Inc.	2/11/2009	2/6/2009
Jeff and Janet Schultz	3/2/2009	2/24/2009
Larry Seals	2/12/2009	2/12/2009
Seboldt Brothers	2/10/2009	2/8/2009

SCHEDULE B
PACKERS AND STOCKYARDS ACT NOTICE CLAIMANTS
USDA IDENTIFIED INVALID CLAIMS

CLAIMANT	TRUST NOTICE FILING DATE P&S	TRUST NOTICE FILING DATE PACKER
Shady Lane Farms	2/13/2009	2/13/2009
Shiloh Hill, LLC	2/10/2009	2/11/2009
Stamberger Farms Ltd	Not filed	2/17/2009
Anthony Strutner	2/9/2009	2/12/2009
Steven Lee Sturtevant	2/6/2009	Not filed
Phillip and Betty Sudkamp	2/10/2009	2/10/2009
Larry and Barb Thoele	2/17/2009	2/13/2009
Walk Stock Farm, Inc.	Not filed	2/9/2009
William Uhlman & Sons	2/12/2009	2/12/2009
Wyss Farms Inc.	2/17/2009	2/17/2009
Joel and Shelly Young	2/10/2009	2/10/2009
Debtor's records indicate the following claimants do not have valid PSA trust claims; the USDA has identified the following as having valid trust claims, either in whole or in part:		
Leland and Jane Bahl	2/9/2009	2/11/2009
Keith and Sandy Deters	2/11/2009	2/10/2009
Cliff Hammett	2/17/2009 & 2/27/2009	2/17/2009 and 2/27/2009
Joseph & Jeanne Hoene and Paul & Martha Hoene	2/11/2009	2/12/2009
J & V Probst Pork, Inc.	2/9/2009	2/10/2009
Kellogg Farms	2/9/2009	2/11/2009
Leland and Marianna Moffett	2/17/2009	2/17/2009
Marvin and Carlyle Mueller	2/7/2009	2/7/2009
Donald Niebrugge	2/9/2009	2/13/2009
RCM Farms, Ltd.	2/9/2009	2/10/2009
Wayne Schleuter	2/12/2009	2/13/2009